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TAGS: [ECON](#) [ETRD](#) [PREL](#) [CO](#)
SUBJECT: COLOMBIAN-VENEZUELA TRADE SLUMPS AS TRADE
AGREEMENT TALKS GO NOWHERE, SLOW

REF: A. CARACAS 492
[B](#). BOGOTA 1270
[C](#). BOGOTA 378

[1](#)1. (SBU) SUMMARY. Following two years of banner growth for Colombian exports to Venezuela, 2009 will likely see a significant contraction in bilateral trade due to the global downturn. The GOC continues to be frustrated in its attempts to engage Venezuela on some sort of agreement to govern bilateral economic relations once Venezuela's CAN commitments expire in 2011. While second to the U.S. in overall Colombian exports, Venezuela is by far Colombia's largest export market for non-traditional goods (with a higher value-added content), making the downturn in trade particularly painful for a Colombian economy on the verge of recession and experiencing increased unemployment. Recent meetings between the two sides have produced cordial words and little of substantive importance to the bilateral trade relationship. END SUMMARY.

COLOMBIAN-VENEZUELAN TRADE, BY THE NUMBERS

[1](#)2. (SBU) Colombian exports to Venezuela increased by a whopping 96 percent in 2007 to over \$5 billion and by 17 percent in 2008 to \$6 billion. Venezuelan exports to Colombia, on the other hand, fell slightly, from \$1.5 billion in 2006 to \$1.2 billion in 2008. Roberto Cajamarca, Director of Economic Studies for the Colombian-Venezuelan Chamber of Commerce, noted that Colombian exports to Venezuela in January fell 11.6 percent and predicted a 25 percent decline in total 2009 exports to Venezuela. He also predicted a decrease in Colombian imports from Venezuela.

[1](#)3. (SBU) Venezuela bought 16 percent of Colombia's global exports in 2008, second only to the U.S. (37 percent). Venezuela is by far the largest importer of non-traditional Colombian exports, which have a higher value-added content. With March unemployment in Colombia reaching 12 percent and signs of recession increasingly evident (Ref B), the decrease in exports is unwelcome news for Colombia. In addition to the global economic downturn's impact on Venezuela's purchasing power, Cajamarca pointed out that Venezuelan Government impediments to preferential exchange rate dollars translates into a "de facto devaluation" in Venezuela will further sink Colombian exports, such as textiles, machinery and plastics.

BILATERAL MEETINGS: GREAT FOR OPTICS, LIGHT ON SUBSTANCE

¶4. (SBU) Presidents Uribe and Chavez met in Cartagena in January (Ref C) and in Caracas in April (Ref A). Both meetings were cordial, but produced little concrete results. The most important outcome of the April 14 meeting for Colombia was Venezuela's issuance of import licenses for 10,000 Colombian vehicles. While this number is less than the 15,000 Colombia was permitted to export in 2008 and far inferior to the 45,000 vehicles Colombia exported to Venezuela in 2007 before quotas were introduced, Colombian-Venezuelan Chamber of Commerce President Magdalena Pardo acknowledged that "10,000 vehicles is much better than zero, which is how many Colombia exported to Venezuela in the first three months of the year." Pardo said that the vehicle quota, like the \$260 million in delayed payments to Colombian exporters were a product of Venezuelan bureaucracy and economic policies, and not discriminatory against Colombia.

¶5. (SBU) The other results of the April 14 meeting were memoranda of understanding and letters of intent in the following areas: electricity distribution from Puerto Inirida (Colombia) to San Fernando de Atabapo (Venezuela); bilateral export/import credits for small and medium enterprises, as laid out during their January meeting; agreement to conduct bilateral trade in local currencies vice dollars; and promoting bi-national transportation, health, environment, education, agriculture, energy and infrastructure projects. Chavez made public comments at the January Cartagena Summit that he wanted to see bilateral trade reach \$10 billion in ¶2009. While no one in the Colombian business community believes that will happen, they acknowledge the importance of such statements in dealing with a Venezuelan Government that relies heavily on the President's guidance.

NO PROGRESS ON AGREEMENT TO REPLACE CAN

¶6. (SBU) GOC trade officials remain frustrated by Venezuela's lack of engagement on an agreement to govern bilateral trade once Venezuela's commitments under the Andean Community (CAN) expire in April 2011. Colombia submitted a draft agreement in March, but has yet to receive an answer from Venezuela. One senior GOC trade official described interactions with the Venezuelans on this issue in the following manner: "Gabriel Garcia Marquez could not script these meetings any better. They epitomize magical realism -- what happens when a highly detailed, realistic setting is invaded by something too strange to believe."
BROWNFIELD